



City of San Diego

CARL DEMAIO
CITY COUNCILMEMBER –DISTRICT 5

MEMORANDUM

DATE: June 5, 2012

TO: Andrea Tevlin, Independent Budget Analyst

FROM: Councilmember Carl DeMaio

RE: Budget Priorities for FY 13 Budget

At the request of Councilmember Todd Gloria, Chairman of the Budget and Finance Committee, I am submitting my budget priorities for the FY 13 Budget.

Since taking office, my top priorities have been fixing the City's finances, supporting reforms that make city government more efficient and cost effective for taxpayers, and restoring services to our neighborhoods.

I am pleased to see the City on better financial footing than we have been in recent years and I commend my colleagues on the City Council for implementing many reforms. However, much work remains and the unfortunate reality is that we are still very much in the middle of a fiscal crisis. The City's backlog of deferred maintenance on streets, storm drains, and facilities has grown to almost \$900 million. It is also anticipated that infrastructure conditions will continue to get worse over the next five years.

I have made street and infrastructure repair one of my top priorities since taking office and I will continue to push to ensure we deliver on that core responsibility of city government.

In addition, I offer the following budget options for inclusion in the IBA's final report on recommended changes to the Mayor's proposed budget.

- **Regional Consolidation of Services:** The City must actively pursue alternative service delivery methods, efficiency improvements, and eliminate service duplications. If the City were to partner with regional government agencies to eliminate these duplications, taxpayers could save upwards of \$10 million annually.
- **DROP Cost Neutrality:** The DROP program has almost 1,000 city retirees currently collecting payouts from the program, almost 1,200 employees enrolled in the program, and 5,600 employees eligible for the program in the future. The following DROP

reforms are based on legal analysis conducted by City Attorney Jan Goldsmith and would save taxpayers \$24 million annually.

- **Eliminate DROP Interest Rate:** DeMaio is proposing that the SDCERS Board remove the guaranteed interest rate on DROP accounts and return any interest to the pension system, removing this burden on taxpayers.
 - **Increase Contribution Rates for DROP Participants to Maximum Allowed:** Increase the city employee contribution rate from the current 3.05% to a range of 6.7% to 17.6% depending on their age and classification.
 - **Reduce DROP Participant Salaries:** To eliminate the “double dipping” nature of DROP entirely, reduce each active DROP participants’ salary by an amount equal to the pension payout paid to the employee. If an employee does not want a reduction in salary, they simply would not enter the DROP program.
- **Reduce Overtime by 50%:** The proposed FY 13 budget includes additional funds for overtime expenses. These increases are a result of overages in previous budgets and highlight the need to reevaluate the constant staffing budgeting methodology employed in the Fire Department and overtime practices citywide.
 - **Cut Mayoral and City Council Budgets by 15% for a Cost –Neutral Council District 9**

Additionally, I continue to ask my colleagues to pursue cost-savings and efficiencies by encouraging the use of volunteers, public-private partnerships, and other means. I believe that we can begin restoring city services at lower cost than before by utilizing innovative new ways to deliver services to taxpayers.

cc: Honorable Mayor and City Councilmember